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United States Foreign Aid: How Generous Are We?

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Most of us have, no doubt, heard a great deal about the problems of poverty and world hunger. In the last several years the attention of the entire world has been drawn especially to the plight of the hungry and malnourished as world economies have suffered from a number of setbacks such as war and drought. The Christian community has likewise responded to the problem. Some excellent books and articles have appeared, outlining the nature and scope of world hunger. Through these

sources, as well as through a number of conferences and seminars, we have been made aware of the ugly facts and have been challenged to reexamine Scriptural directives in order to understand justice and our own responsibilities to seek justice.

In spite of the clarity with which the problem has been defined, however, there appear to be many who do not accept the conclusions. Especially at the present time, I hear people say that the problem has been exaggerated. They doubt the

existence of an estimated 460 million poor and malnourished people. Or, they argue that the hunger crisis is over. The problem was a short-term problem of crop failure in 1972 and again in 1974. These arguments are disturbing. They appear to be attempts to convince ourselves that there no longer are responsibilities to be met. They ignore the fact that hunger is primarily the result of poverty, not crop

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failure. And, we must realize that whatever the magnitude of the problem, God's Word requires that justice be served.

It has been difficult to extract commitments in the past because a number of myths have diluted the strength and reliability of the facts. Some would say that aid is useless until the population problem is controlled. As Mooneyham and others point out, however, given economic and social structures in these less-developed countries (LDC's), parents are provided for in their old age by their children.¹ But the only way to be sure you have children living when you're old is to have large numbers of children. While birth rates are high, death rates are also high. The solution to the problem of population is economic development, not vice versa.

Others make the claim that self-development must be evident in these countries before we extend aid. They must help themselves. This statement overlooks the fact that the LDC's "are now financing

over 80% of their own development efforts by their own work and their own earnings."²

Another frequently heard argument is that corruption is so widespread that the aid which is given does very little good for the poor. It is undoubtedly true that aid money is wasted and misused, but this is no indication that the poor do not need help; rather, greater care must be taken in selecting the types of aid to be given and the agencies through which programs are administered. When aid is given out of a genuine concern and love, this type of precaution should be gladly accepted.

Finally, a commitment is often difficult to secure because people have the impression that much is already being done. It is a common belief that foreign-aid programs are very large and that, therefore, we are already being extremely generous. (During New York City's attempts to draw funds from the government in the last several years, a number of editorials sarcastically suggested that, if New York was serious about getting large sums of money, it should secede from the United States, declare war and, just as quickly, surrender. In this way it would become eligible for our "generous" foreign-aid programs.)

Unfortunately, people look at the large numbers and talk about generosity without addressing themselves to the question of whether the aid given is adequate. This attitude puts the act of giving into the category of charity rather than justice. It seems quite clear that, in the light of Scripture, giving is a matter of justice. This does not mean that our motivation is not love. The two are inseparable. But it does mean that giving is required and not optional. In the remainder of the article, then, we will address the question of whether our giving is adequate. It is to be hoped that the myth of our being a generous nation can be dispelled.

Foreign Aid

Three areas relating to our foreign-aid program require examination. First, for

what purposes do we give foreign aid? The answer to this question will have a profound impact on the second two concerns: what types of giving make up our aid program and how much, in dollar terms, are we giving? The effectiveness of our program depends on each of these three concerns.

Roger Miller lists four types of rationale for foreign-aid programs.³ He points out that during the 1950's, the major portion of our total aid was provided under the amended Mutual Security Act of 1951. Aid, then, was given as a device to strengthen our military alliances. We were in fact "buying" foreign military bases and security. With advances made in military technology and with a cooling down of East-West relations, this motive has been significantly diminished.

We have also found that by extending foreign aid to developing countries, we can increase our own economy's performance. Not only have we tended to create reliance on our own products but, through more cordial relationships, we have assured ourselves of more dependable re-

source markets. The Agricultural Trade Development and Assistance Act (Public Law 480) of 1954 could be classified under the economic motive. This was a program of farm surplus distribution. P.L. 480 served two purposes. First, since we were giving away price-depressing surpluses, the government was saving storage costs. Secondly, the transfers alleviated some of the shortage of purchasing power in foreign nations which needed U.S. farm commodities.⁴

Foreign aid has been used to promote a favorable political climate as well. While the view in the past has been that we can win friends by our giving, today it appears that the motive is more a concern for a stable world-wide political atmosphere. Or, political interests can be based on historical and cultural considerations.⁵ Political impact has perhaps been the most important motive for extending assistance in recent history. Table 1 gives statistics which seem to indicate that political and military concerns dominate our aid programs. Population differences would account for some of the large differences, but they would

TABLE 1⁶

Receipt of Economic Aid Per Capita in Selected Countries
1960-1965

<u>Country</u>	<u>Per Capita Aid Received/year (dollars)</u>	<u>Country</u>	<u>Per Capita Aid Received/year (dollars)</u>
Israel	46.2	Argentina	1.6
Chile	13.2	Ceylon	1.6
Egypt	8.7	Thailand	1.4
Taiwan	6.3	Mexico	1.3
Yugoslavia	6.1	Spain	1.3

not be sufficient to explain the entire differential.

Finally, there has been a humanitarian motive for extending aid. Aid is given in an attempt to alleviate world suffering. For instance, in response to India's crop failure in 1966, the United States passed the Food For Peace Act and amended P.L. 480. Both placed emphasis on using our agricultural products to relieve the problem of hunger.

A further indication that there has been a growing concern for the people of developing countries was the passage in 1975 of the International Development and Food Assistance Act (H.R. 9005), a two-year foreign economic-aid bill. The purpose was alleviation of hunger and poverty via development programs. The shift in emphasis from surplus distribution to development aid was significant in terms of motive and impact. In addition, "It marked the first time that both houses had agreed to separate development assistance from military and security supporting aid."⁷

In total it is fair to conclude that the aid which is given is not given primarily out of concern for people. It is given to achieve other ends. It should also be pointed out that the humanitarian motive is not completely adequate from a Christian viewpoint.

Our motives and incentives for extending aid are the primary determinants of the types of aid given. And depending on the way in which aid is given, our programs will be more or less effective in eradicating hunger and poverty. The three principal forms of assistance given are grants, commodity transfers, and loans.⁸ Grants are perhaps the closest to what we may consider "gifts." Grants are made to countries with the expectation that no monetary payments will be made in return. The entire amount of the grant represents a transfer of command over resource use. (That is, we forfeit our right to use the resources in our own interest.) Unfortunately, the other types of aid are much less generous.

Commodity transfers (made under pro-

grams such as P.L. 480 and Food For Peace) are made via surplus commodities that are sold to foreign countries in exchange for local currencies. According to stipulations in the acts, these funds are to be used to compensate that country for any future expenditures made there by the U.S. In the technical sense, commodity transfers do require remuneration. More practically, accumulated funds are seldom used and, therefore, represent transfers for which no remuneration is made.

Another portion of our foreign aid is made up of loans to other countries. In an economic sense, loans are not aid at all except to the extent that the terms of the agreements are more favorable than those obtainable in private capital markets. As Snider points out,

Many loans made to LDC's by governments and international organizations contain foreign aid elements in the form of lower-than-market rates of interest, deferred repayment schedules, and so on, while other public loans may have no aid component.⁹

Despite the inadequacy of loans as aid instruments, they are included in foreign assistance statistics. To the extent that more of our aid is made up of commodity transfers and loans, the foreign-aid figures, which we shall examine shortly, do not represent transfer of command over resource use as a means of rectifying injustices as much as they represent temporary transfers on which income is earned. At present, loans make up more than one third of the foreign-aid funds. Therefore, foreign-aid figures give an inflated picture of our giving.

Another point to be made about the types of aid is that there are usually problems or inefficiencies caused by the way in which they are given. Grants, for instance, are usually "tied." This means that money is given with stipulations concerning its use. The Stipulations may state that the funds must be spent in the country making the grant. Such a condition is beneficial for the donor country because it means the funds will flow back to the donor

in payment for imports. This tends to improve the donor country's balance-of-payments' position internationally.¹⁰ This type of stipulation decreases the real value of the grant to the recipient country, however, because it means that the recipient cannot shop around for the cheapest source of goods or capital. It is obviously not possible to put the funds to the most efficient use.

Grants may also be tied to projects that the donor country feels to be important (irrigation projects, for example). Many believe that this type of giving is desirable because it may help to minimize corruption, and it enables donors to see the results of their giving. Economically, there is no justification for this. There is no reason to believe that money given for special projects is used in the most beneficial, productive manner. In fact, tying funds to special programs often lead to "showcase" projects. Little is accomplished in the way of development, but there is much to show the donors.

Congressional demands for detailed reports on individual projects also mean that excessive amounts of money are used to administer the programs. (The same argument against tying funds can be used for domestic-income redistribution policies such as welfare transfers. In both cases, the only benefit may be that more funds will be volunteered than if no "strings" are attached. Inefficiencies would still exist.)

Neither are commodity transfers without problems. We sincerely believed that we were helping India by our P.L. 480 program. Indeed, it was an important gesture, giving of our surpluses to help them. But we failed to realize the economic impact that these surpluses would have on producers in that country. The influx of food commodities depressed food prices in India, causing lower income for India's farmers. As a result, there were few incentives for self-development, and we encouraged their dependence on our food supplies. There were also problems that resulted from our lack of knowledge regarding India's customs and traditions. We

were sending wheat to the poor of India, but their meager kitchen technologies were capable only of steaming rice. They had no way of preparing bread.

Mistakes such as these do not mean that less aid should be given. Instead, they indicate that more caution must be taken when aid is extended. Perhaps they illustrate the fact that our motives have not been to provide for the poor as much as they have been to solve some of our own problems. Perhaps we have not been concerned enough to make sure that our giving will benefit the recipient. (For instance, we may be giving in order to convince ourselves that we are doing our share.)

The conclusion to be drawn from the above is not that commodity transfers are never to be used. As a means of emergency aid in times of drought and crop failure, they are necessary to provide food. In fact, there is some evidence today that the incentives produced by giving food may outweigh the disincentives if the aid is administered correctly.¹¹ The important thing is that we be concerned with the longer-run situation of the impoverished. Food aid and commodity transfers are short-run solutions. In the long run we must concentrate on programs that extend development aid.¹²

The final concern in judging the adequacy of our foreign-aid programs is the amount of aid given. It seems safe to say that most Americans believe that the United States is the most generous nation in terms of what it gives to the needy. In absolute amounts this is correct. This is illustrated in Table 2 on the next page.

The United States gives almost 30% of all the development assistance extended. No other country comes close to this figure. These statistics, however, do not reflect the abilities of the various countries to make such payments. Given the size of the U.S. economy, we should be paying more than others. In other words, the generosity of a nation must not be judged by absolute amounts but by a measure of its relative capability to extend aid. The

TABLE 2¹³

Net Disbursements of Official Development Assistance (ODA)
1970-75

<u>Donor</u>	<u>ODA (Millions)</u>	<u>Per Cent of Total</u>	<u>Donor</u>	<u>ODA (Millions)</u>	<u>Per Cent of Total</u>
United States	\$28,632	29.7	<u>OPEC Countries</u>		
France	12,416	12.9	Saudi Arabia	\$3,018	3.1
Germany, Federal			Kuwait	1,728	1.8
Republic of	8,661	9.0	Iran	873	0.9
Japan	6,105	6.3	United Arab Emirates	853	0.9
United Kingdom	5,276	5.5	Iraq	749	0.8
Canada	4,188	4.3	Libyan Arab Republic	655	0.7
Netherlands	2,900	3.0	<u>Communist Countries</u>		
Sweden	2,344	2.4	U.S.S.R.	\$5,170	5.4
Belgium	1,899	2.0	China	2,259	2.3
Italy	1,499	1.6	Eastern Europe	364	0.4

most appropriate measure of a country's ability to give aid is its gross national product (GNP). The important question to be asked is what percentage of GNP does the United States give for development assistance relative to other countries? The figures appear in Table 3. As can be seen, the U.S. ranks 20th in its giving. Compared to the U.S., some countries are sacrificing up to 16 and 20 times what we give in order to aid others.

Some of this difference can be explained away, perhaps. Countries that rely more heavily on foreign trade may find it more economically and politically advantageous to extend assistance. Or, what may be concluded by recognizing that the top seven countries are petroleum-exporting countries that have recently experienced enormous increases in income? Perhaps some countries that give large

amounts of money may not be sacrificing to the same extent that the United States does. That is, it may be that the marginal utility (the extra satisfaction) of each dollar is less in countries of rapidly increasing income. Therefore, they would be sacrificing less per dollar of aid than would other, consumer-goods-producing countries (assuming that marginal utility is the best measure of sacrifice). While these two points would be significant, it is doubtful that they could account for the entire differential. The fact remains that relative to other countries we are not so generous as we may have believed.

Another disturbing fact about aid given by developed countries in general is that, in real terms, development aid has hardly increased since 1961. In nominal terms, that is, before adjusting for inflation, development aid has increased from \$5

TABLE 3¹⁴

Aid Donors Ranked by ODA in Relation to GNP
Average, 1974-75

<u>Rank</u>	<u>Country</u>	<u>ODA/GNP</u>	<u>Rank</u>	<u>Country</u>	<u>ODA/GNP</u>
1	Qatar	5.43	11	France	0.60
2	United Arab Emirates	4.29	12	Australia	0.58
3	Saudi Arabia	2.55	13	Denmark	0.57
4	Kuwait	2.49	14	Belgium	0.55
5	Iraq	2.24	15	Canada	0.54
6	Libyan Arab Republic	1.31	16	New Zealand	0.42
7	Iran	0.80	17	Germany, Federal	
8	Sweden	0.78		Republic	0.39
9	Netherlands	0.70	18	United Kingdom	0.38
10	Norway	0.62	19	Algeria	0.25
			20	United States	0.25

billion to \$16 billion from 1961 to 1977. However, "Expressed in constant prices, aid from the developed market economies, by far the largest source, has grown very slowly: 0.07 per cent a year on the average over the period 1961-75."¹⁵ In terms of ability to pay, the development assistance of the industrialized market economies fell as a percentage of GNP from 0.53 per cent in 1961 to 0.36 per cent in 1975. (See Figure 1.) In addition, absolute aid given by the United States has decreased! H.R. 9005 provisions authorized a decrease of about \$10 billion from 1976 to 1977.¹⁶

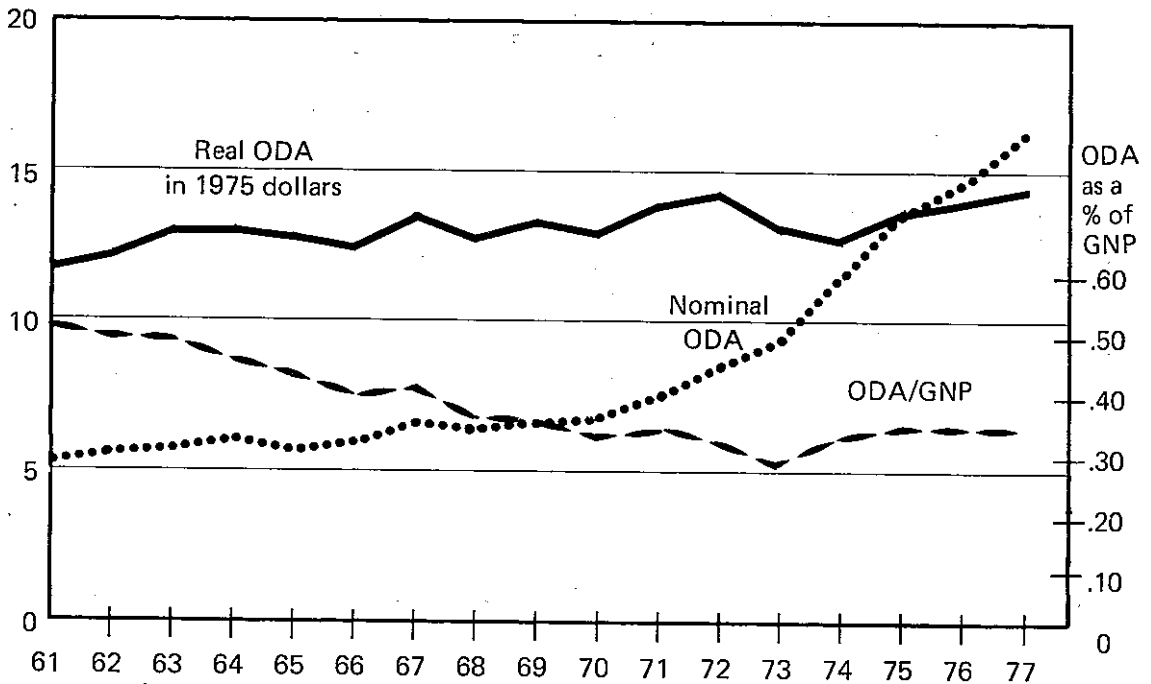
These facts shed interesting light on the aid programs of the U.S. relative both to other countries and to past years. They represent very disturbing trends. But the comparisons in themselves do not get at the question of what is adequate. There

are no assurances that what others give or what we have given in the past was sufficient. Sufficient, that is, to guarantee a level of economic growth which will assure us that people of the less-developed and developing countries will be able to share in our prosperity to an increasing extent. In so doing, job opportunities in poor countries will increase, and there will be a lessening of poverty and, therefore, of hunger.

Snider, in trying to answer the question of what is an adequate rate of growth, cites two concerns.¹⁸ First, how do we fit the various characteristics of a country into what we may consider to be an adequate growth rate? Industrialized, developed countries normally increase their outputs by about 3-4% annually. Rates of this magnitude would not be adequate for LDC's. Since population increases

FIGURE 1¹⁷

ODA from DAC* members in current and 1975 constant U.S. dollars (billions) and as a percentage of GNP, 1961-77



* Development Assistance Committee countries are members of the Organization for Economic Cooperation and Development (OECD)

are greater, GNP must grow by a higher percentage in order to assure an increase in standard-of-living equal to increases in developed countries. Because of this influence growth rates in GNP per capita among the poor countries range from a -1.6% in Rwanda to 3.2% in Pakistan.¹⁹ Even these rates do not reflect the poverty which exists, however. Adjustment must also

be made for the unequal income distribution that is normally more pronounced in developing countries.

A second concern is "absorptive capacity." How productively can the developing countries use additional capital resources? If countries have low skill levels, poor health standards, and low literacy rates, it will be necessary to build up these

foundations in addition to increasing capital resources. This implies that larger sums of money are needed.

In the past, nations that are members of the United Nations set a target rate of economic assistance of 1% of GNP for developed countries. This figure was, no doubt, rather modest in terms of probable impact. More recently, the target, as agreed on by a majority of the countries and asked for by the developing nations, was lowered to 0.7% of GNP. As indicated in Table 3, very few of the developed economies have come close to this target. In fact, the United States has never accepted even this rate! It would be fair to conclude that the current levels of growth are inadequate to increase the economic participation of the poor countries to a desirable degree. Our giving, at current rates, is inadequate. And given present trends, the prospects are not bright for the developing countries either.

Summary

The conclusion to be drawn from this analysis is that the United States' foreign-aid program is not as generous a programs as we may have believed. In fact, in terms of ability to aid, we fall below a large number of other countries. A good summary statement may be that we give too little of the wrong kind of aid for the wrong reasons. Joris Voorhoeve summarizes the problem of giving by developed countries generally as follows:

The main constraint on the global aid effort is found in the motives and willingness of donor countries, and not in changes in their capacity to give aid or in the economic needs of recipients.²⁰

Some economists, viewing the needs of the poor and the statistics on foreign aid to the poor, conclude that the solution to the problem is acceptance of a policy of "triage."²¹ That is, recognizing that present levels of aid are inadequate, we should restructure our aid so that sufficient aid is given to some, while others are

excluded. This approach assumes that we cannot give more than we do at present. It is evident, however, that we *can* give more. What is needed is a national willingness and commitment to give more.

First, this would require that aid be given as a matter of justice and genuine concern, rather than with a view toward returns of some sort. The nation must recognize the basic rights of the poor and affirm these rights by action. If our motives are proper, it would seem that more national aid could be extended by way of multilateral arrangements. That is, aid could be cycled through agencies such as the United Nations or the World Bank. This would help minimize the political influences associated with aid.

Secondly, aid must be extended without "tying" arrangements. If we are serious about helping, our programs would be oriented more toward grants rather than loans. And, without conditions being imposed, money could go where it would do the most good (assuming some conditions on administration of the funds).

Finally, we must be more conscious of our position relative to the minimal targets established by the United Nations. There must be a concentrated effort at meeting and surpassing these goals as part of public policy.

If we can correctly assume that the case has been adequately made for the existence of injustices on Biblical grounds, then Christians are committed to action. We cannot be lulled by the belief that our giving is adequate. Not only must we perform individually as we feel the need, but we must convince policymakers of the importance of the task so that foreign-aid programs will truly reflect the desire to help. We can agree with John Cole, who says,

One has the helpless feeling that if ordinary, humane people in rich countries could grasp imaginatively the scale of the problem of world poverty, they would encourage their governments to do more about it.²²

The problem, of course, is that it is difficult to put the needs of others before our own wants. Economic sacrifices would have to be made if the proposals above were passed. There could be some negative impact on jobs, income, and price levels. At present we seem reluctant to accept such changes. But if our responsibilities transcend economic and political boundaries, we are obligated to follow suggestions similar to those made by Ronald Sider and Arthur Simon. We must consciously simplify our lifestyles.²³

One can easily wonder whether such changes are possible under a capitalistic system. Radical economists claim that capitalism feeds on growth. This, they feel, is possible only when exploitation exists, both within and outside of national economies. In "A Statement of Conscience by Christians and Jews" in 1974, two postures for viewing the problem were given.²⁴ Either poverty exists worldwide as a result of an unfortunate imbalance between countries, in which case transfers and aid would be solutions, or poverty exists because of an unjust concentration of power, in which case structural changes would be needed in addition to continued aid. If we as Christians are motivated by Biblical directives demanding justice, we will seek whatever solutions are necessary and in harmony with Scripture.

Footnotes

1. Walter S. Mooneyham, *What do you Say to a Hungry World?* World Books, Waco, Texas, 1975.

2. *Channel*, St. Catharines, Ontario, February 1977, p. 5.

3. Roger Miller, *Economics Today*, 5th ed., Canfield Press, San Francisco, 1976, p. 680.

4. Duncan and Bickel, "U.S. Agricultural Exports—A Boon to Farmers," *Monthly Review*, Federal Reserve Bank of Kansas City, July/August, 1976, p. 3.

5. Joris Voorhoeve, "Trends in Official Development Aid," *Finance & Development*, International Monetary Fund and World Bank, September, 1977, p. 11.

6. Miller, *op. cit.*, p. 681.

7. July Gardner, "H.R. 9005 Becomes Law," in *World Food Problem and U.S. Food Politics and Policies: 1972-1976*, edited by Ross Talbot, Iowa State University, Ames, 1977, p. 286.

8. Delbert Snider, *Introduction to International Economics*, 5th ed., Irwin, Homewood, Illinois, 1971, pp. 443 ff.

9. *Ibid.*, p. 445.

10. For a good discussion of the economic advantages to a donor country of "tying" grants, see Richard Cooper's, *The Economics of Interdependence: Economic Policy in the Atlantic Community*, McGraw-Hill, New York, 1968, pp. 234-235.

11. See Isenmen and Singer, "A.I.D. Discussion paper No. 31," Agency for International Development, Washington, D.C., 1975.

12. At a conference on world hunger at Cherokee, Iowa, in 1976, it was refreshing to hear experts in the area of world hunger agree that, from their first-hand experience, aid given by Christian agencies throughout the world was the most successful and most rewarding. The reason given for this was that these agencies had a more genuine concern for the welfare of the recipients.

13. Voorhoeve, *op. cit.*, p. 11.

14. *Ibid.*, p. 13.

15. *Ibid.*, p. 10.

16. Gardner, *op. cit.*, p. 286.

17. Voorhoeve, *op. cit.*, p. 10.

18. Snider, *op. cit.*, p. 443.

19. David Morawetz, "Twenty-five Years of Economic Development," *Finance & Development*, International Monetary Fund and World Bank, September, 1977, p. 12.

20. Voorhoeve, *op. cit.*, p. 11.

21. For an argument in this vein see John Lindauer, *Economics, A Modern View*, W.B. Saunders Co., Philadelphia, 1977, p. 842.

22. John Cole, "The Trade-off Between Rich and Poor," *ILO Information*, vol. 4, no. 3, International Labor Organization, 1976, p. 1.

23. Arthur Simon, *Bread for the World*, Eerdmans, Grand Rapids, 1975; Ronald Sider, *Rich Christians in an Age of Hunger: A Biblical Study*, Intervarsity Press, Downers Grove, Illinois, 1977.

24. "A Statement of Conscience by Christians and Jews," in *The World Food Problem and U.S. Food Politics and Policies: 1972-1976*, edited by Ross Talbot, Iowa State University, Ames, 1977, p. 30.